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Lawrence County, Mississippi
Audited Primary Government Financial
Statements and Special Reports
For the Year Ended
September 30, 2004

J.E. Fortenberry, III, PC
Certified Public Accountant

Lawrence County, Mississippi

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FINANCIAL SECTION

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS**

May 30, 2005

Members of the Board of Supervisors
Lawrence County, Mississippi

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express an opinion on these primary government financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements referred to above include only the primary government of Lawrence County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Lawrence County, Mississippi, as of September 30, 2004, and the respective changes in its financial position, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Lawrence County, Mississippi, as of September 30, 2004, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 30, 2005 on my consideration of Lawrence County, Mississippi's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047 Telephone (601)992-5292

our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 6 through 19 and the Budgetary Comparison Schedule and corresponding notes on pages 48 through 51 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the primary government financial statements that collectively comprise Lawrence County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, PC

Certified Public Accountant

AICPA, MSCPA

1929 B Spillway Road, Brandon, MS 39047 (601)992-5292

LAWRENCE COUNTY, MISSISSIPPI

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Lawrence County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999.

Lawrence County is located on U. S. Highway 84, which is 20 miles east of Interstate 55. The population, according to the 2000 census, is 13,258. The local economic base is driven by the timber industry, other agricultural activities and a thriving medical community.

FINANCIAL HIGHLIGHTS

Lawrence County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Lawrence County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has decreased by 2.95 mills over the last seven years. This does not include the school taxes.

Total net assets decreased \$2,211,238, which represents a 4% decrease from the prior fiscal year. If an analysis is made without the Capital Assets and Long-Term debt there was a decrease of only \$12,195, which represents a .2% decrease from the prior fiscal year. The County's ending cash balance increased by \$340,203, which represents a 6.6% increase from the prior fiscal year.

LAWRENCE COUNTY, MISSISSIPPI

The County had \$7,200,965 in total Governmental Fund revenues and Other Financing Sources. Tax revenues account for \$4,270,272 or 59.3% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$1,997,573 or 27.7% of total revenues. Debt was issued in the amount of \$580,526 or 8.1% of total revenues.

The County had \$9,441,330 in total Governmental Fund expenses, which represents an increase of \$643,646 or 7.37% increase from the prior fiscal year. Expenses in the amount of \$2,578,099 were offset by grants, outside contributions, or debt being issued. General revenues and other financing sources of \$5,203,392 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$3,431,945 in revenues and \$3,738,783 in expenditures and Other Financing Uses. The General Fund's fund balance decreased \$325,965 over the prior year. The main reason for the decrease in fund balance was the increase in general government and public safety expenditures.

Capital assets, net of accumulated depreciation, decreased by \$2,215,047.

Long-term debt decreased by \$62,506. General Obligation Bonds were issued in the amount of \$250,000 for Road and Bridge Construction. Various Capital Leases were entered into in the total amount of \$330,278.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

LAWRENCE COUNTY, MISSISSIPPI

Figure 1 – Required Components of the County's Annual Report

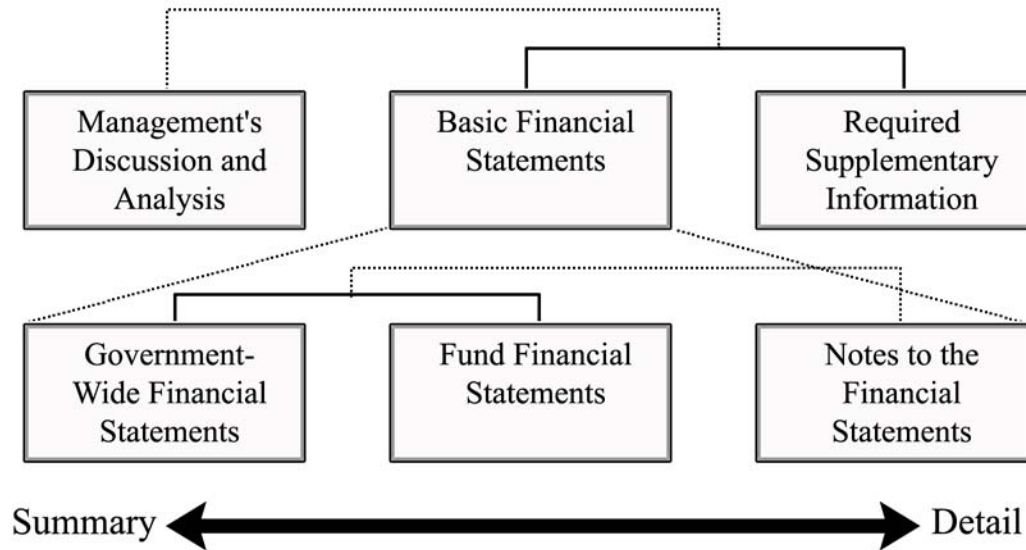


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

LAWRENCE COUNTY, MISSISSIPPI

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government -Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of revenues, expenses and changes in net assets ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets ● Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

LAWRENCE COUNTY, MISSISSIPPI

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt.

Component units are not included in our basic financial statements, they consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The component units that are not included are as follows:

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

The Government-wide Financial Statements can be found on pages 21 and 22 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

LAWRENCE COUNTY, MISSISSIPPI

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 25 and 27 respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 24 and 26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 28 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29 through 46 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

LAWRENCE COUNTY, MISSISSIPPI

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and CAP Loan Bond Fund. This required supplementary information can be found on pages 48 through 50 of this report.

Lawrence County is subject to a Single Audit, due to the amount of Federal Grants it receives. Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 53 of this report.

GOVERNMENT-WIDE FINANCIAL

Net Assets – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Lawrence County, assets exceeded liabilities by \$52,386,616 as of September 30, 2004.

By far, the largest portion of the County’s net assets (89%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County’s financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

LAWRENCE COUNTY, MISSISSIPPI

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2004, as compared to fiscal year ended September 30, 2003.

	09/30/04 Governmental Activities	09/30/03 Governmental Activities
Assets:		
Current Assets	\$ 10,504,948	\$ 10,184,535
Capital Assets, Net	50,444,394	52,659,441
Total Assets	\$ 60,949,342	\$ 62,843,976
Liabilities:		
Current Liabilities	\$ 4,667,277	\$ 4,288,169
Long-Term Debt Outstanding	3,895,449	3,957,954
Total Liabilities	\$ 8,562,726	\$ 8,246,123
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 46,874,445	\$ 49,073,487
Restricted, Expendable	3,030,414	954,537
Unrestricted	2,481,757	4,569,829
Total Net Assets	\$ 52,386,616	\$ 54,597,853

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Revenue from the State of Mississippi fell short of expectations by \$9,854.
- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- \$642,784 of long-term debt principal was retired.
- \$580,278 in long-term debt was issued.
- Capital assets increased by \$566,276 from the purchase of mobile equipment, furniture and equipment, leased property under capital leases and construction-in-progress.

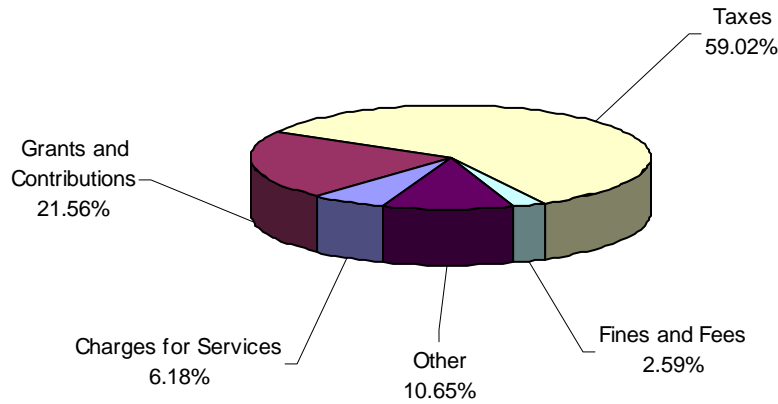
LAWRENCE COUNTY, MISSISSIPPI

Changes in Net Assets—Lawrence County’s total revenues for the fiscal year ended September 30, 2004 was \$7,200,965. The total cost for all services provided was \$9,441,330 and the decrease in net assets was \$2,211,238. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004, as compared to fiscal year ended September 30, 2003.

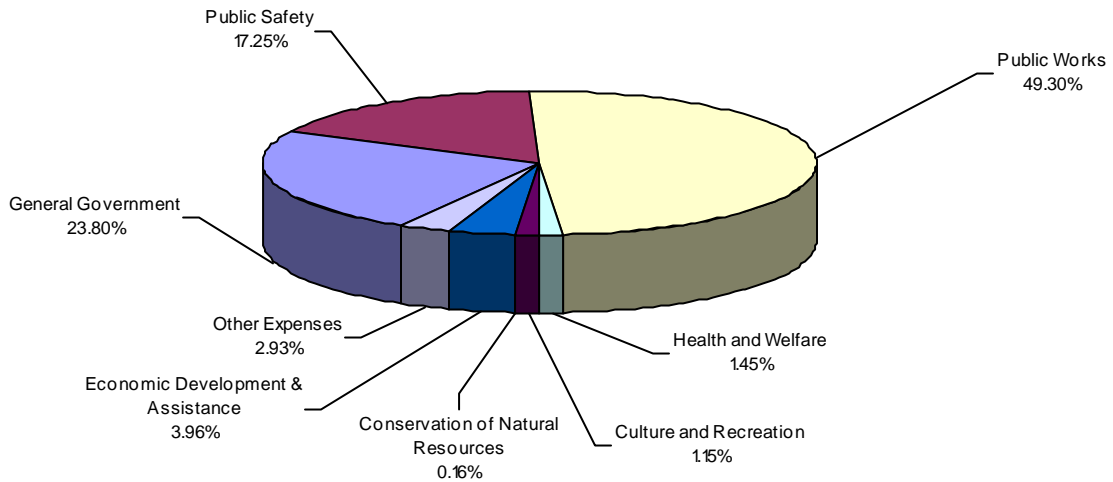
	09/30/04	09/30/03
Revenues:		
Program Revenues:		
Charges for Services	\$ 445,240	\$ 531,553
Grants and Contributions	1,552,333	503,127
General Revenues:		
Taxes	4,249,941	4,795,330
Fines and Fees	186,731	241,459
Other	766,720	919,441
Total Revenues	\$ 7,200,965	\$ 6,990,910
Expenses:		
General Government	\$ 2,240,054	\$ 2,088,949
Public Safety	1,623,196	1,099,796
Public Works	4,668,251	4,481,431
Health and Welfare	136,275	177,214
Culture and Recreation	108,116	393,891
Conservation of Natural Resources	14,797	188,763
Economic Development & Assistance	372,970	15,000
Other Expenses	277,671	352,640
Total Expenses	\$ 9,441,330	\$ 8,797,684
Decrease in Net Assets	\$ (2,240,365)	\$ (1,806,774)

LAWRENCE COUNTY, MISSISSIPPI

WHERE THE COUNTY GETS ITS REVENUE



HOW COUNTY REVENUES ARE USED



LAWRENCE COUNTY, MISSISSIPPI

Governmental Activities – The following table presents the cost of seven major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education and Economic Development and assistance.

The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Lawrence County’s taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$ 2,240,054	\$ 2,086,501
Public Safety	1,623,196	1,208,908
Public Works	4,668,251	34,881,895
Health and Welfare	136,275	87,057
Culture and Recreation	108,116	108,116
Education	131,729	131,729
Economic Development and Assistance	372,970	178,812

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds – At the close of the fiscal year, Lawrence County’s governmental funds reported a combined fund balance of \$4,753,204, a decrease of \$19,351. The decrease is only .4% of the total fund balance.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$325,965. This decrease was primarily due to the increase in expenditures in General Government and Public Safety.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Lawrence County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made to correct the estimated beginning cash balances made in the original budget to actual beginning cash balances on October 1.
- Budgeted revenues were increased as better estimates became available.
- The largest increase in amendments was to the public safety department. Budgeted expenditures were increased as better estimates became available.

LAWRENCE COUNTY, MISSISSIPPI

Even with these adjustments, actual disbursements were below final budget amounts by \$5,004.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2004, Lawrence County's total capital assets were \$109,165,303. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$328,594.

Total accumulated depreciation as of September 30, 2004 was \$58,720,909, including \$2,765,532 of depreciation expense for the year. The balance in total net capital assets was \$50,444,394 at year-end.

See the schedules below for additional information on Lawrence County's capital assets:

Capital Asset Values

Asset Classification	Balance 10/1/2003	Additions	Deletions	Adjustments	Balance 9/30/2004
Land	\$ 345,486				\$ 345,486
Construction-in-Progress	53,420	93,712		(137,215)	9,917
Infrastructure	96,362,073				96,362,073
Buildings	7,835,156				7,835,156
Improvements	-			137,215	137,215
Mobile Equipment	2,600,843	130,291	(172,235)		2,558,899
Furniture and Equipment	329,678	11,995			341,673
Leased Property under Capital Leases	1,310,053	330,278	(65,447)		1,574,884
TOTALS	\$ 108,836,709	\$ 566,276	\$ (237,682)	\$ -	\$ 109,165,303

LAWRENCE COUNTY, MISSISSIPPI

Capital Asset Accumulated Depreciation					
Asset Classification	Balance 10/1/2003	Additions	Deletions	Adjustments	Balance 9/30/2004
Infrastructure	\$ 51,999,909	\$ 2,256,715			\$ 54,256,624
Buildings	1,679,951	153,708		(29,968)	1,803,691
Mobile Equipment	1,775,404	201,526	(152,012)		1,824,918
Furniture and Equipment	228,301	9,714		841	238,856
Leased Property under Capital Leases	493,703	143,869	(40,752)		596,820
	\$ 56,177,268	\$ 2,765,532	\$ (192,764)	\$ (29,127)	\$ 58,720,909

Debt Administration – At September 30, 2004, Lawrence County had \$3,895,447 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, obligations under capital leases, and other loans. Of this debt, \$658,991 was due within one year.

In the past year, the County made \$250,000 in General Obligation Bonds for Road and Bridge Construction equipment and major road repairs. The county also made \$330,278 in capital leases.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. As of September 30, 2004, Lawrence County’s outstanding debt was equal to 1.85% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ending September 30, 2004:

	Balance 10/1/2003	Additions	Reductions	Balance 9/30/2004	Due Within One Year
General Obligation Bonds	\$ 1,675,000	\$ 250,000	\$ 135,000	\$ 1,790,000	\$ 190,000
Limited Obligation Bonds	65,000		10,000	55,000	10,000
Capital Leases	658,124	330,278	306,762	681,640	266,340
Other Loans	1,559,830		191,022	1,368,808	192,651
Total	\$ 3,957,954	\$ 580,278	\$ 642,784	\$ 3,895,448	\$ 658,991

Additional information on Lawrence County’s long-term debt can be found in note 8 on page 41 through 44 of this report.

LAWRENCE COUNTY, MISSISSIPPI

CURRENT AND FUTURE ITEMS OF IMPACT

Lawrence County is taking part in the expansion of the Atlas Bucket Manufacturing Company expansion. The completion of this project should happen sometime during 2005.

The Lawrence County Road Funds have obtained a loan in the amount of \$250,000 in order to purchase road construction equipment and help with major repairs to the roads.

Lawrence County is making continuing efforts to place a company in the Kellwood Building.

The budget for the next fiscal year reflected an increase of \$63,444 or .9% in revenues and a increase of \$300,904 or 4% in expenses. This is expected to decrease the County's net assets.

Lawrence County has an unemployment rate of 8% versus 9.3% a year ago. This compares unfavorably with the state average rate of 6.9%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Lawrence County Comptroller's/Chancery Clerk's office at 517 East Broad Street, Monticello, Mississippi 39654.

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LAWRENCE COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	Governmental Activities
ASSETS	
Assets:	
Cash	\$ 5,516,802
Property Tax receivable	3,802,500
Fines receivable, net	457,243
Capital lease receivable	663,454
Intergovernmental receivables	64,949
Capital Assets	50,444,394
Total Assets	<u>60,949,342</u>
LIABILITIES, EQUITY AND OTHER CREDITS	
Liabilities:	
Claims payable	583,842
Intergovernmental payables	182,534
Accrued interest payable	36,229
Deferred Revenue	
Property taxes	3,802,500
Other payables	62,172
Long-term liabilities	--
Due within one year:	
Capital leases payable	266,341
Capital related debt	346,151
Non-Capital debt	46,500
Due beyond one year:	
Capital leases payable	415,299
Capital related debt	2,542,158
Non-Capital debt	279,000
Total Liabilities	<u>8,562,726</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	46,874,445
Restricted net assets:	
Expendable:	
Public works	700,831
Public safety	264,711
Debt service	979,230
Culture & recreation	619
Economic development	1,220
Unemployment compensation	11,644
Other purposes	664,278
General government	407,881
Unrestricted	2,481,757
Total Net Assets	<u>\$ 52,386,616</u>

The accompanying notes are an integral part of this statement.

LAWRENCE COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
<i>General Government</i>	\$ 2,240,054	\$ 151,053	\$ --	\$ 2,500
<i>Public Safety</i>	1,623,196	278,082	131,206	5,000
<i>Public Works</i>	4,668,251	--	505,944	680,412
<i>Health and welfare</i>	136,275	16,105	23,404	9,709
<i>Culture and recreation</i>	108,116	--	--	--
<i>Education</i>	131,729	--	--	--
<i>Conservation of natural resources</i>	14,797	--	--	--
<i>Economic development and assistance</i>	372,970	--	194,158	--
<i>Interest and fiscal charges</i>	145,942	--	--	--
Total Primary Government	<u>\$ 9,441,330</u>	<u>\$ 445,240</u>	<u>\$ 854,712</u>	<u>\$ 697,621</u>

General Revenues:

Property Taxes

Road and Bridge Privilege Taxes

Reimbursements

Grants and contributions not restricted to specific programs

Unrestricted gifts and donations

Unrestricted Investment Earnings

Gain on disposal of capital assets

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (2,086,501)
(1,208,908)
(3,481,895)
(87,057)
(108,116)
(131,729)
(14,797)
(178,812)
(145,942)

(7,443,757)

4,077,685
172,256
20,331
604,251
4,369
99,353
55,452
169,695

5,203,392

(2,240,365)
54,597,854
29,127

\$ 52,386,616

LAWRENCE COUNTYBALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	General Fund	CAP Loan Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
<i>Cash</i>	\$ 2,246,189	\$ 7,723	\$ 3,262,890	\$ 5,516,802
<i>Intergovernmental receivables</i>	67,813	--	--	67,813
<i>Fines receivable, net</i>	457,243	--	--	457,243
<i>Capital lease receivable</i>	--	766,057	--	766,057
<i>Property tax receivable</i>	2,314,000	--	1,488,500	3,802,500
<i>Due from other funds</i>	18,232	--	22,602	40,834
Total Assets	\$ 5,103,477	\$ 773,780	\$ 4,773,992	\$ 10,651,249
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
<i>Claims payable</i>	\$ 242,524	\$ --	\$ 341,318	\$ 583,842
<i>Intergovernmental payables</i>	182,534	--	--	182,534
<i>Due to other funds</i>	26,198	7,500	10,000	43,698
<i>Other Payables</i>	62,171	--	--	62,171
<i>Deferred revenue</i>	2,771,243	766,057	1,488,500	5,025,800
Total Liabilities	3,284,670	773,557	1,839,818	5,898,045
Fund Equity:				
Fund Balances:				
<i>Reserved for debt service</i>	--	--	932,610	932,610
<i>Unreserved, Undesignated</i>	1,818,807	223	2,001,564	3,820,594
Total Fund Equity	1,818,807	223	2,934,174	4,753,204
Total Liabilities and Fund Equity	\$ 5,103,477	\$ 773,780	\$ 4,773,992	\$ 10,651,249

The accompanying notes are an integral part of this statement.

LAWRENCE COUNTY

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004*

Total fund balances - governmental funds balance sheet	\$ 4,753,204
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	50,444,394
Fines receivable accrued at year end are not available in the funds and the income is deferred.	457,243
Payables for capital leases which are not due in the current period are not reported in the funds.	(681,640)
Payables for bond & other loan interest which are not due in the current period are not reported in the funds.	(36,228)
Payables for notes which are not due in the current period are not reported in the funds.	(3,213,808)
Capital lease receivable not available to pay for current-period expenditures and is deferred in the funds.	663,454
Rounding difference	(3)
	<u>52,386,616</u>
Net assets of governmental activities - statement of net assets	\$ <u>52,386,616</u>

The accompanying notes are an integral part of this statement.

LAWRENCE COUNTYSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund	CAP Loan Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
<i>Property taxes</i>	\$ 2,403,543	\$ --	\$ 1,659,664	\$ 4,063,207
<i>Road and Bridge Privilege Taxes</i>	--	--	172,256	172,256
<i>Severance Taxes</i>	104,352	--	212,292	316,644
<i>Motor Fuel Taxes</i>	--	--	429,797	429,797
<i>Rail Car Taxes</i>	--	--	47,677	47,677
<i>Licenses, commissions and other revenues</i>	188,150	--	128,685	316,835
<i>Fines and forfeitures</i>	75,144	--	3,011	78,155
<i>Intergovernmental revenues</i>	472,087	--	696,517	1,168,604
<i>Contributions restricted to specific purpose</i>	16,163	--	253,204	269,367
<i>Interest</i>	128,104	18,771	25,065	171,940
<i>Miscellaneous revenues</i>	44,402	--	55,139	99,541
Total revenues	3,431,945	18,771	3,683,348	7,134,064
Expenditures:				
Current:				
<i>General government</i>	1,792,775	--	82,330	1,875,105
<i>Public safety</i>	1,418,303	--	204,892	1,623,195
<i>Public works</i>	48,689	--	2,691,542	2,740,231
<i>Health and welfare</i>	126,383	--	9,892	136,275
<i>Culture and recreation</i>	92,273	--	109,555	201,828
<i>Education</i>	131,729	--	--	131,729
<i>Conservation of natural resources</i>	12,297	--	2,500	14,797
<i>Economic development assistance</i>	3,403	--	369,567	372,970
Debt service:				
<i>Principal retirement</i>	86,231	71,907	484,646	642,784
<i>Interest and fiscal charges</i>	26,700	18,760	121,596	167,056
<i>Advance refunding escrow</i>	--	--	--	--
Total expenditures	3,738,783	90,667	4,076,520	7,905,970
Excess of revenues over (under) expenditures	(306,838)	(71,896)	(393,172)	(771,906)
Other financing sources (uses):				
Proceeds from sale of capital assets	300	--	71,715	72,015
Compensation from loss of capital assets	22,054	--	6,301	28,355
Operating Transfers in	50,936	--	150,966	201,902
Operating Transfers out	(137,042)	--	(64,860)	(201,902)
Lease receivable principal payments	--	71,907	--	71,907
Long-term debt issued	44,625	--	535,653	580,278
Total other financing sources (uses)	(19,127)	71,907	699,775	752,555
Excess of revenues and other sources over (under) expenditures and other uses	(325,965)	11	306,603	(19,351)
Fund balances				
Beginning of year	2,144,772	212	2,627,571	4,772,555
End of year	\$ 1,818,807	\$ 223	\$ 2,934,174	\$ 4,753,204

The accompanying notes are an integral part of this statement.

LAWRENCE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Net change in fund balances - total governmental funds	\$ (19,351)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	566,276
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,765,532)
The gain or loss on the sale of capital assets is not reported in the funds.	(44,918)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(250,000)
Fine income receivable is recognized under full accrual in the SOA, but not in the funds.	9,552
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	336,023
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	306,762
Proceeds from capital leases are recognized as income in the funds, but not in the SOA.	(330,278)
(Increase) decrease in accrued interest from beginning of period to end of period	21,113
Principal payments are recognized as income in the funds, but not in the SOA	(70,011)
Rounding difference	<u>(1)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (2,240,365)</u>

The accompanying notes are an integral part of this statement.

LAWRENCE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

SEPTEMBER 30, 2004

	Agency Funds
ASSETS	
Assets:	
<i>Cash and investments</i>	\$ 100,910
<i>Intergovernmental receivables</i>	2,864
Total Assets	<u>\$ 103,774</u>
LIABILITIES	
Liabilities:	
<i>Claims payable and other accrued liabilities</i>	\$ 98,826
<i>Intergovernmental payables</i>	4,948
Total Liabilities	<u>103,774</u>

The accompanying notes are an integral part of this statement.

Lawrence County, Mississippi

Notes to the Financial Statements
for the year ended September 30, 2004

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lawrence County, Mississippi is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lawrence County, Mississippi to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting..

The government-wide, proprietary and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the

Lawrence County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2004

year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities is incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgements, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major governmental funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

CAP Loan Bond Fund- This debt service fund is used to account for the income and expenditures relating to the capital lease receivable and subsequent loan payments made with the rents received.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement

Lawrence County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2004

cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

Lawrence County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2004

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved, with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall

Lawrence County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2004

produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$5,617,712, and the bank balance was \$5,719,448. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	8,698
General Fund	General Fund	17,500
Nonmajor Governmental Funds	Nonmajor Governmental Funds	14,635
Fiduciary Funds	Nonmajor Governmental Funds	2,865
Total		<u>\$ 43,698</u>

The purpose of these interfund loans was to disperse the advalorem property taxes to the proper funds. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Fund:		
General Fund	Nonmajor Governmental Funds	\$ 50,936
Nonmajor Governmental Funds	General Fund	137,042
Nonmajor Governmental Funds	Nonmajor Governmental Funds	13,924
Total		<u>201,902</u>

The purpose of the transfers in/ out are as follows:

- to help with the cost of reappraisal, \$50,000;
- to cover interest on the hospital accounts, \$936;
- to cover normal operating costs,\$149;
- to cover the cost of economic development, \$114,000;
- to help with mobile equipment purchase, \$13,924;
- to reimburse capital projects fund for engineering fees, \$22,893.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tag Credit	\$ <u>64,949</u>

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustment	Balance Sept. 30, 2004
<u>Non-depreciable capital</u>					
Land	\$ 345,486	0	0	0	345,486
Construction in progress	53,420	93,712	0	(137,215)	9,917
Total non-depreciable capital assets	<u>398,906</u>	<u>93,712</u>	<u>0</u>	<u>(137,215)</u>	<u>355,403</u>
<u>Depreciable capital assets:</u>					
Infrastructure	96,362,073	0	0	0	96,362,073
Buildings	7,835,156	0	0	0	7,835,156
Improvements other than buildings	0	0	0	137,215	137,215
Mobile equipment	2,600,843	130,291	(172,235)	0	2,558,899
Furniture and equipment	329,678	11,995	0	0	341,673
Leased property under capital leases	1,310,053	330,278	(65,447)	0	1,574,884
Total depreciable capital assets	<u>108,437,803</u>	<u>472,564</u>	<u>(237,682)</u>	<u>137,215</u>	<u>108,809,900</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	51,999,909	2,256,715	0	0	54,256,624
Buildings	1,679,951	153,708	0	(29,968)	1,803,691
Improvements other than buildings					
Mobile equipment	1,775,404	201,526	152,012	0	1,824,918
Furniture and equipment	228,301	9,714	0	841	238,856
Leased property under capital leases	493,703	143,869	40,752	0	596,820
Total accumulated depr.	<u>56,177,268</u>	<u>2,765,532</u>	<u>192,764</u>	<u>(29,127)</u>	<u>58,720,909</u>
Total depreciable capital assets, net	<u>52,260,535</u>	<u>(2,292,968)</u>	<u>(430,446)</u>	<u>166,342</u>	<u>50,088,991</u>
Governmental activities assets, net	<u>\$ 52,659,441</u>	<u>(2,199,256)</u>	<u>(430,446)</u>	<u>29,127</u>	<u>50,444,394</u>

Adjustments were made to remove items under the new threshold.

Depreciation expense was charged to the following functions:

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

	<u>Amount</u>
Governmental Activities:	
General government	\$ 314,051
Public safety	57,451
Public works	<u>2,394,030</u>
 Total governmental activities depreciation expense	 <u><u>\$ 2,765,532</u></u>

Commitments under construction contracts at September 30, 2004, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>	<u>Estimated Date of Completion</u>
District 2 Barn	\$1,205	\$0	1/1/2005

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ <u>900,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	73,289	17,378
2006	74,642	16,025
2007	76,073	14,594
2008	77,588	13,079
2009	79,190	11,477
2010-2014	269,275	29,892
2015	<u>13,397</u>	<u>158</u>
Total	\$ <u>663,454</u>	<u>102,603</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,512,196
Other furniture and equipment	<u>62,688</u>
Total	1,574,884
Less: Accumulated depreciation	<u>596,820</u>
Leased Property Under Capital Leases	\$ <u>978,064</u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 266,340	21,471
2006	148,941	11,858
2007	124,066	6,766
2008	122,236	2,990

Lawrence County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2004

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	18,757	320
2010	1,299	3
Total	\$ 681,639	43,408

(8) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final
			Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 1998 Jail Bonds	\$ 1,030,000	var. 4.2%	04/2013
Series 1998A Jail Bonds	510,000	4.90%	07/2013
Series 2004 Road & Bridge Construction	250,000	2.82%	02/2009
Total General Obligation Bonds	\$ 1,790,000		
B. Limited Obligation Bonds:			
Tax Increment Bonds	\$ 55,000	8.50	03/2009
Total Limited Obligation Bonds	\$ 55,000		
C. Capital Leases:			
GMAC Pick-up District 3	\$ 7,756	5.85%	02/2006
Bulldozer District 3	2,714	4.8	04/2005
Dodge Durango Sheriff's Department	12,512	3.7	07/2006
Radio Equipment	3,536	4.72	11/2004
Radio Equipment	15,926	6.43	07/2006
Bulldozer District 2	4,431	5.07	03/2005
Tractor & Bushhog District 3	4,437	5.65	03/2005
2 Dump Trucks District 4	12,704	5.75	07/2005
Dump Truck District 2 (2005)	6,436	5.75	07/2005
Excavator District 3	13,989	5.75	05/2005
Motor Grader District 3	9,590	5.75	04/2005
Excavator District 4	29,001	5.07	06/2006
Excavator District 2	12,844	5.07	05/2006
2001 Crown Victoria Sheriff's Department	6,909	4.19	02/2005
2001 Crown Victoria	5,750	4.42	06/2005
Loader District 2	41,220	3.97	05/2007
Tractor & Loader District 1	8,801	5.07	08/2005
2003 Crown Victoria	10,118	3.55	09/2006
Computer System	36,978	3.91	12/2007

Lawrence County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2004

Asphalt Dist./Bushhog	45,297	3.67	12/2007
Asphalt Dist. District 2	13,413	3.67	12/2007
2004 Chevy Impala	15,083	3.04	03/2008
Sheriff's Truck	23,093	2.89	03/2007
D1 Extendahoe	61,131	2.99	04/2008
Garbage Truck/Compactor District 1	\$ 15,249	5.07	05/2005
Garbage Truck District 3	4,503	5.75	07/2005
Garbage Truck/Compactor District 5	10,433	5.75	07/2005
Garbage Van Sheriff's Department	3,563	5.75	05/2005
Garbage Trailer District 4	4,194	5.89	05/2005
Garbage Truck/Compactor District 2	29,361	3.97	03/2007
2004 Caterpillar Model 939C HST	83,599	2.99	07/2008
Garbage Truck & Pac Man Container Unit	72,222	3.13	08/2009
District 4 Garbage Truck	<u>54,846</u>	3.19	12/2008
 Total Capital Leases	 \$ <u><u>681,639</u></u>		

D. Other Loans:

CAP Loan	\$ 319,503	5.66%	02/2015
CAP Loan	267,972	2.00	11/2017
Hospital Note- Revenue Note	325,500	4.95	10/2011
Road & Bridge Construction 2/19/01	100,000	5.15	02/2006
Road & Bridge Construction 3/19/01	10,000	5.25	03/2006
Southern Pine Loan	<u>345,833</u>	0	08/2011
 Total Other Loans	 \$ <u><u>1,368,808</u></u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 190,000	78,658	10,000	4,250
2006	195,000	71,012	10,000	3,400
2007	200,000	63,084	10,000	2,550
2008	215,000	54,825	10,000	1,700
2009	220,000	45,815	15,000	637
2010 - 2014	770,000	93,752		
2015 & thereafter				
 Total	 <u><u>1,790,000</u></u>	 <u><u>407,146</u></u>	 <u><u>55,000</u></u>	 <u><u>12,537</u></u>

Lawrence County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2004

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 192,651	44,469
2006	194,360	37,623
2007	141,155	30,688
2008	143,040	26,501
2009	145,020	22,219
2010 - 2014	464,847	50,057
2015 - 2019	87,735	2,569
Total	\$ <u>1,368,808</u>	<u>214,126</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 1.85% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

Governmental Activities:	Balance			Balance Sept. 30, 2004	Amount due within one year
	Oct. 1, 2003	Additions	Reductions		
General obligation bonds	\$ 1,675,000	250,000	135,000	1,790,000	190,000
Limited obligation bonds	65,000		10,000	55,000	10,000
Capital leases	658,123	330,278	306,762	681,639	266,340
Other loans	1,559,830		191,022	1,368,808	192,651
Total	\$ <u>3,957,953</u>	<u>580,278</u>	<u>642,784</u>	<u>3,895,447</u>	<u>658,991</u>

(9) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate

Lawrence County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2004

ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Hospital Revenue Note Contingencies- The county issues revenue notes to provide funds for constructing and improving capital facilities of the Lawrence County Hospital, which was leased effective October 1, 2001 by Southwest Mississippi Regional Medical Center. Revenue notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue notes outstanding at September 30, 2004, is \$427,186.

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah- Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the College Board of Trustees. The county appropriated \$333,144 for maintenance and support of the college in fiscal year 2004.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$33,619 for support of the district in fiscal year 2004.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$22,500 for its support in fiscal year 2004.

Southwest Mississippi Development Association Corporation operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The member counties provide only modest financial support for the entity.

Lawrence County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2004

(11) Defined Benefit Pension Plan.

Plan Description. Lawrence County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$164,733, \$162,259, and \$160,239, respectively, equal to the required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Property taxes</i>	\$ 2,305,000	\$ 2,362,192	\$ 2,425,678	\$ 63,486
<i>Severance Taxes</i>	--	20,447	104,352	83,905
<i>Licenses, commissions and other revenues</i>	131,000	188,094	188,150	56
<i>Fines and forfeitures</i>	80,000	75,143	75,144	(1)
<i>Reimbursements</i>	461,000	572,150	472,087	100,063
<i>Contributions restricted to specific purpose</i>	--	--	16,163	(16,163)
<i>Interest</i>	31,100	51,871	128,104	(76,233)
<i>Miscellaneous revenues</i>	75,000	116,982	44,402	(72,580)
Total revenues	<u>3,083,100</u>	<u>3,386,879</u>	<u>3,454,080</u>	<u>67,201</u>
Expenditures:				
Current:				
<i>General government</i>	1,778,200	1,690,587	1,863,058	(172,471)
<i>Public safety</i>	1,041,265	1,362,849	1,418,303	(55,454)
<i>Public works</i>	--	--	48,689	(48,689)
<i>Health and welfare</i>	135,300	126,382	126,383	(1)
<i>Culture and recreation</i>	5,100	92,272	92,273	(1)
<i>Education</i>	250,000	250,271	131,729	118,542
<i>Conservation of natural resources</i>	35,241	31,160	12,297	18,863
<i>Economic development assistance</i>	148,619	147,619	3,403	144,216
Debt service:				
<i>Principal retirement</i>	145,000	112,930	86,231	26,699
<i>Interest and fiscal charges</i>	--	--	26,700	(26,700)
<i>Advance refunding escrow</i>	--	--	--	--
Total expenditures	<u>3,538,725</u>	<u>3,814,070</u>	<u>3,809,066</u>	<u>5,004</u>
Excess of revenues over (under) expenditures	(455,625)	(427,191)	(354,986)	72,205
Other financing sources (uses):				
Proceeds from sale of capital assets	--	--	300	300
Compensation from loss of capital assets	--	--	22,054	22,054
Operating Transfers in	--	--	50,936	50,936
Operating Transfers out	(75,000)	(75,000)	(137,042)	(62,042)
Proceeds from loans	125,000	228,412	44,625	(183,787)
Total other financing sources (uses)	<u>50,000</u>	<u>153,412</u>	<u>(19,127)</u>	<u>172,539</u>
Excess of revenues and other sources over (under) expenditures and other uses	(405,625)	(273,779)	(374,113)	(100,334)
Fund balances				
Beginning of year	--	--	2,192,920	2,192,920
End of year	<u>\$ (405,625)</u>	<u>\$ (273,779)</u>	<u>\$ 1,818,807</u>	<u>\$ 2,092,586</u>

LAWRENCE COUNTY

CAP LOAN BOND FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Interest</i>	\$ 19,025	\$ 18,770	\$ 18,771	\$ (1)
Total revenues	<u>19,025</u>	<u>18,770</u>	<u>18,771</u>	<u>1</u>
Expenditures:				
Current:				
Debt service:				
<i>Principal retirement</i>	72,000	71,907	71,907	--
<i>Interest and fiscal charges</i>	19,000	18,760	18,760	--
<i>Advance refunding escrow</i>	--	--	--	--
Total expenditures	<u>91,000</u>	<u>90,667</u>	<u>90,667</u>	<u>--</u>
Excess of revenues over (under) expenditures	(71,975)	(71,897)	(71,896)	1
Other financing sources (uses):				
Lease receivable principal payments	<u>72,000</u>	<u>71,907</u>	<u>71,907</u>	<u>--</u>
Total other financing sources (uses)	<u>72,000</u>	<u>71,907</u>	<u>71,907</u>	<u>--</u>
Excess of revenues and other sources over (under) expenditures and other uses	25	10	11	1
Fund balances				
Beginning of year	--	--	212	212
End of year	<u>\$ 25</u>	<u>\$ 10</u>	<u>\$ 223</u>	<u>\$ 213</u>

Lawrence County, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund.

Lawrence County, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>CAP Loan Bond Fund</u>
Budget (Cash Basis)	\$ (374,113)	11
Increase (Decrease)		
Net adjustments for revenue accruals	(22,135)	
Net adjustments for expenditure accruals	70,283	
To record excess of revenues and other sources over (under) expenditures and other uses for nonbudgeted funds		
Other reconciling items:		
	<u> </u>	<u> </u>
GAAP Basis	\$ <u><u>(325,965)</u></u>	<u><u>11</u></u>

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARD			
U.S. Department of Transportation/ Passed through the Mississippi Department of Transportation Highway Planning and Construction	20.205	MS-038-39(1)B	\$ 675,385
Total Expenditures of Major Federal Awards			<u>675,385</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing & Urban Development/ Passed through the Mississippi Development Authority Community Development block grant/ state's program	14.228	01-039-ED-IF01	2,500
Total Expenditures of Other Federal Awards			<u>2,500</u>
Total Expenditures of Federal Awards			<u>\$ 677,885</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

LAWRENCE COUNTY, MISSISSIPPI
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2004

Operating Expenditures, Cash Basis:

Salaries	\$	125,982
Expendable Commodities:		
Gasoline and petroleum products		7,239
Repair parts		26,467
Maintenance		12,143
Contractual Services		125,586
Solid Waste Cash Basis Operating Expenditures		<u>297,417</u>
Full Cost Expenses:		
Indirect administrative costs		2,159
Depreciation on equipment		49,361
Interest on Solid Waste Debt		<u>6,937</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>355,874</u></u>

SPECIAL REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 30, 2005
Members of the Board of Supervisors
Lawrence County, Mississippi

I have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2004, and have issued my report thereon dated May 30, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lawrence County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence County, Mississippi's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



JE Fortenberry, III, PC

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 30, 2005
Members of the Board of Supervisors
Lawrence County, Mississippi

Compliance

I have audited the compliance of Lawrence County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2004. Lawrence County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to its major federal program is the responsibility of Lawrence County, Mississippi's management. My responsibility is to express an opinion on Lawrence County, Mississippi's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawrence County, Mississippi's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lawrence County, Mississippi's compliance with those requirements.

In my opinion, Lawrence County, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control Over Compliance

The management of Lawrence County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "J.E. Fortenberry, III, PC". The signature is written in a cursive style with a horizontal line across the middle.

J.E. Fortenberry, III, PC

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

May 30, 2005
Members of the Board of Supervisors
Lawrence County, Mississippi

I have made a study and evaluation of the central purchasing system and inventory control system of Lawrence County, Mississippi, as of and for the year ended September 30, 2004. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

The Board of Supervisors of Lawrence County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Lawrence County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objectives of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In my opinion, Lawrence County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with my aforementioned study and evaluation of the purchasing system and, in my opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lawrence County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record, and its distribution is not limited.



JE Fortenberry, III, PC

Certified Public Accountant

Lawrence County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

My test results did not identify any purchases not made from the lowest bidder.

Lawrence County, Mississippi

Schedule 2

Schedule of Emergency Purchases
For the Year Ended September 30, 2004

My test results did not identify any emergency purchases.

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

My test results did not identify any purchases made noncompetitively from a sole source.

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**LIMITED INTERNAL CONTROL AND
COMPLIANCE REVIEW MANAGEMENT REPORT**

May 30, 2005

Members of the Board of Supervisors
Lawrence County, Mississippi

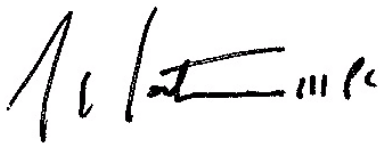
In planning and performing my audit of the financial statements of Lawrence County, Mississippi for the year ended September 30, 2004, I considered Lawrence County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence County, Mississippi's financial reporting, I have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, I do not express such an opinion. This report does not affect my report dated May 30, 2005, on the financial statements of Lawrence County, Mississippi.

These review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, my consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of my review procedures and compliance tests did not identify instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.



J.E. Fortenberry, III, P.C.

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lawrence County, Mississippi

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the primary government financial statements: unqualified.
2. Material noncompliance relating to the primary government financial statements? No.
3. Internal control over financial reporting:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of Circular A-133? No.
7. Federal programs identified as major programs:

Highway Planning and Construction Grants- CFDA No. 20.205
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of my tests did not disclose any findings and questioned costs related to federal awards.